

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

Application No.	: 09/677,401	Confirmation No.	: 3108
First Applicant	: K. Jon Kern	Art Unit	: 3629
Filed	: 29 September 2000	Examiner	: Tan D. Nguyen
Title	: Loyalty reward program for reducing the balance of a loan obligation		
Docket No.	: 014-040001US		
Customer No.	: 33486		

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**APPLICANTS' REPLY BRIEF
(37 CFR § 41.41)**

This reply brief responds to the Examiner's new Answer, which was mailed to the Applicants on 9 December 2008. The Examiner's prior Answer was mailed to the Applicants on 26 July 2007; and, on 26 September 2007, the Applicants filed a reply brief in response to that prior Answer. As further discussed below, the Examiner's new Answer includes a new ground of rejection. As required by 37 CFR § 41.39(b)(2), the Applicants are filing this new reply brief in compliance with both 37 CFR § 41.41 and 37 CFR § 41.37(c). This reply brief supplants the Applicants' 26 September 2007 reply brief.

(1) Real Party in Interest [37 CFR § 41.37(c)(1)(i)]

The statement identifying the real party in interest in this application as provided in the Applicants' 5 April 2007 appeal brief remains accurate.

(2) Related Appeals and Interferences [37 CFR § 41.37(c)(1)(ii)]

There are no related appeals or interferences.

(3) Status of Claims [37 CFR § 41.37(c)(1)(iii)]

The statement of the status of the claims in this application as provided in the Applicants' 5 April 2007 appeal brief remains accurate.

(4) Status of Amendments [37 CFR § 41.37(c)(1)(iv)]

The Applicants have not filed any amendments subsequent to final rejection.

(5) Summary of Claimed Subject Matter [37 CFR § 41.37(c)(1)(v)]

The summary of the claims subject matter provided in the Applicants' 5 April 2007 appeal brief remains accurate.

(6) Grounds of Rejection to be Reviewed on Appeal [37 CFR § 41.37(c)(1)(vi)]

In view of the new ground of rejection in the Examiner's new Answer, there are now nine grounds of rejection to be reviewed on appeal rather than eight. The statement of the original eight grounds of rejection identified on pages 13-14 of the Applicants' 5 April 2007 appeal brief as rejections 6(a)-6(h) remains accurate. The following new (i.e., ninth) ground of rejection to be reviewed on appeal was introduced in the Examiner's 9 December 2008 Answer:

- i) Each of the pending claims currently stands rejected under 35 USC § 101 as being directed toward non-statutory subject matter.

The "Claims Rejections Chart" attached as the last two pages of the Claims Appendix to the Applicants' appeal brief remains accurate regarding the eight prior-art-based rejections previously asserted.

(7) Argument [37 CFR § 41.37(c)(1)(vii)]

The Applicants confirm that they are continuing to rely upon the arguments in their 5 April 2007 appeal brief made in response to the original eight prior-art-based grounds of rejection. These arguments were presented on pages 14-42 of their appeal brief under headers referring to rejections 6(a)-6(h). Thus, the Applicants present below their response to the new ground of rejection identified in the immediately preceding section, as well as their response to the arguments made by the Examiner in his new Answer in response to the Applicants' 5 April 2007 appeal brief.

**Response to the New Ground of Rejection
(Rejection 6(i): § 101 – Non-Statutory Subject Matter)**

The Applicants respectfully traverse the new rejection of claims 8-28, 30, and 32-91 under 35 USC § 101 for at least the following reasons.

Per the Federal Circuit in In re Bilski, 545 F.3d 943 (Fed. Cir. 2008) (en banc), "[t]he Supreme Court ... has enunciated a definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself. A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it

transforms a particular article into a different state or thing." Id. at 954 (citing Gottschalk v. Benson, 409 U.S. 63, 70 (1972); Diamond v. Diehr, 450 U.S. 175, 192 (1981)). The Federal Circuit's In re Bilski decision confirmed that this "machine-or-transformation test" is currently the only test for whether claimed subject matter is patent-eligible under § 101. In particular, the Federal Circuit stated, "we ... reaffirm that the machine-or-transformation test, properly applied, is the governing test for determining patent eligibility of a process under § 101." 545 F.3d at 956 (emphasis added).

In re Bilski does not suggest that business method claims and claims directed toward software are excluded by the machine-or-transformation test. In fact, the Federal Circuit affirmatively stated, "We further reject calls for categorical exclusions beyond those for fundamental principles already identified by the Supreme Court. We rejected just such an exclusion in [State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998)], noting that the so-called 'business method exception' was unlawful and that business method claims (and indeed all process claims) are 'subject to the same legal requirements for patentability as applied to any other process or method.' 149 F.3d at 1375-76. We reaffirm this conclusion." In re Bilski, 545 F.3d at 960 (internal footnotes omitted).

The Applicants' claimed invention is not a phenomenon of nature, a scientific truth, a fundamental principal, a mental process, or an abstract intellectual concept, each of which is unpatentable. Rather, the Applicants are claiming a method, carried out via a global computer network, comprising a specific set of steps facilitating repayment of a loan obligation. The Applicants are not seeking to preempt the repayment of loans in the abstract. Each of the independent claims (namely, claims 8, 47, 54, 65, and 71) requires that the method be carried out via a global computer network. The Applicants seek only to foreclose from others the facilitation of the repayment of a loan obligation via a process comprising all of the other steps in their claimed process as carried out on a global computer network. Therefore, the Applicants' claimed invention meets at least the first prong of the machine-or-transformation test stated in In re Bilski since their claimed process is tied to a particular machine or apparatus. The Federal Circuit, in In re Bilski, did not provide guidance on the "machine" part of the machine-or-transformation test's first prong. As the Federal Circuit stated, this was not before them in that case:

As to machine implementation, Applicants themselves admit that the language of claim 1 does not limit any process step to any specific machine or apparatus. As a result, issues specific to the

machine implementation part of the test are not before us today. We leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine.

545 F.3d at 962 (internal citation omitted).

Further, the present Applicants' claimed invention, when considered as a whole as it must be during a § 101 analysis,¹ is in no way offensive to the US Supreme Court's or the Federal Circuit's overall goal of preventing the wholesale preemption of fundamental principles. See, e.g., In re Bilski, 545 F.3d at 963. If there is a "fundamental principle" at issue in the Applicants' situation, one possible description of it is a process of using a portion of the monies paid to a third party to pay down a loan that a consumer has with a different party. Their claimed invention, however, requires that recognized users of a site on a computer network become purchasers of goods and services from preselected merchants. The Applicants' claims also require that these preselected merchants be willing to allow a portion of the purchase price to be "redirected" to pay down the balance of a loan rather than going to the merchant's bottom line. Here, in the Applicants' claims, the limitations tying the process to a global computer network are, in fact, actually limiting because the fundamental principle at issue has utility other than operating on a global computer network, which is unlike the fundamental principal at issue in, for example, Benson. In that case, "the fundamental principle at issue, a particular algorithm, had no utility other than operating on a digital computer." In re Bilski, 545 F.3d at 955 (citing Benson, 409 U.S. at 71-72).

For at least the reasons provided above, the Applicants respectfully request that the Board reverse this rejection of pending claims 8-28, 30, and 32-91 under § 101.

Arguments in Response to the Rest of the Examiner's Answer

Assertions that Applicants Improperly Attacked the References Separately

On page 23 of the Examiner's Answer, the Examiner asserts that the Applicants improperly "attacked" the cited references individually even though the references are cited in § 103(a) rejections combining references. "Section 103 forbids issuance of a patent

¹ See, e.g., Parker v. Flook, 437 U.S. 584, 594 (1978) ("Our approach to respondent's application is, however, not at all inconsistent with the view that a patent claim must be considered as a whole."); Diehr, 450 U.S. at 188 ("It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis.").

when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" KSR Int'l Co. v. Teleflex Inc., 127 S. Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. Graham v. John Deere Co., 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). See also KSR, 127 S. Ct. at 1734, 82 USPQ2d at 1391 ("While the sequence of these questions might be reordered in any particular case, the [Graham] factors continue to define the inquiry that controls.").

The Applicants' discussion of each reference in its Appeal Brief is at a minimum relevant to Graham factor (1) and is, therefore, proper. The Applicants also argued in their Appeal Brief against the asserted combinations set forth by the Examiner. For example, in their arguments against the § 103(a) rejection of claims 8-28, 30, 32-54, and 71-89 (beginning on page 16 of their Appeal Brief), the Applicants intermix discussions of the references individually with discussions of the references in combination. In particular, the Applicants discuss the Examiner's primary reference, Feidelson, and the Examiner's secondary reference, Shurling, both individually and in combination. As a practical matter, it is impossible to always discuss a group of references in combination. Even when considering whether a combination of references renders obvious the Applicants' claimed invention, there will be discussions of the references individually.

The Applicants respectfully submit that they properly analyzed and discussed the cited references and the asserted combinations of those references in their Appeal Brief. This discussion of the Examiner's asserted combinations directly relates to Graham factors (1), (2), and (3).

Assertion of "No Patentable Weight"

In the Answer, the Examiner argues for the first time that "step (G) may not have any patentable weight." Examiner's Answer at pp. 23, 24, and 25. In particular, the Examiner makes this argument on the basis that "[t]here is no positive recitation step of the user 'repaying the loan obligation.'" For purposes of this Reply, the Applicants assume that this "new argument" is not a "new ground of rejection," particularly since the Examiner's

Answer does not "designate" this as a new ground of rejection (see 37 CFR § 41.39(b) and MPEP § 1207.03(I) ("Any new ground of rejection made by an examiner in an answer must be ... prominently identified in the 'Grounds of Rejection to be Reviewed on Appeal' section and the 'Grounds of Rejection' section of the answer (see MPEP § 1207.02).")).

A similar "permitting step" appears as a limitation in each of the independent claims, namely claims 8, 47, 54, 65, and 71. For simplicity, the Applicants refer to independent claim 8 in the following discussion, but this logic applies to each occurrence of a "permitting step" in any of the claims.

Claim 8 is not a method of repaying a loan obligation per se. For at least the reasons set forth below, the Applicants respectfully submit that the step of actually repaying the loan is not required to fulfill the promise of claim 8's preamble and to give limitation (G) and the similar limitation in claims 47, 54, 65, and 71 patentable weight.

As the preamble for claim 8 provides, this is a method of facilitating repayment of a loan. The claim thus includes steps necessary to enable repayment of a loan according to this embodiment of the invention. In steps (A)-(F), claim 8 requires the following, stated in simplified fashion: (a) establishing a website, (b) recognizing a user of the website, (c) directing the recognized user to particular merchants, (d) enabling accumulation of loyalty points by the recognized user based upon purchases from those merchants, (e) monitoring the user's purchases from those merchants, and (f) tracking the accumulated loyalty points. Through step (F) of claim 8, therefore, a series of steps have occurred, resulting in the accumulation of loyalty points. All that remains to fulfill the promise of the preamble is to enable the user to apply those accumulated loyalty points to reduce a loan balance. This last step is the subject of limitation (G), which reads in full as following for claim 8: "said first party permitting said first one of said recognized second-party users to selectively repay the loan obligation based upon discretionary redemption of said accumulated loyalty points." If, as suggested by the Examiner, a positive recitation of actually repaying the loan were expressly included in claim 8, that would derail the flow of the claimed method. The user/borrower would go from being a "passenger" for whom a process takes place, to being a "driver" who is required to actually carry out one of the steps of the method. Stated, using a different banking analogy, if John Smith wants to borrow money from Big Bank, that does not require John to personally set up all of the loan policies, procedures, and processes for Big Bank. Big Bank takes care of setting up a

lending process, and John later takes advantage of that process by taking out a loan from Big Bank.

"Permitting" as used in limitation (G) involves the selective acceptance and application of accumulated loyalty points to reduce the balance of a loan. Although the borrower may, in the background of method claim 8, "offer up" loyalty points as a prelude to step (G), "permitting" in limitation (G) concerns the first party accepting those "points" to reduce the balance of a loan. The selective acceptance of "points" essentially as "cash" to reduce the balance of a loan is a positive act carried out by a party other than the user/borrower. The Applicants thus respectfully submit that all of the stated limitations in claim 8 can and should receive patentable weight without requiring the suggested and unnecessary derailment of claim 8's logic. This reasoning applies to each independent claim comprising a "permitting" limitation.

Assertions Related to KSR Int'l Co. v. Teleflex Inc.

The Examiner's Answer asserts that the Applicants' Appeal Brief presents arguments that are no longer effective after the US Supreme Court's KSR decision. Although some of the Applicants' prior arguments did reference the TSM test, the Applicants respectfully submit that the majority of their arguments remain valid after KSR. First, some of the arguments are completely unaffected by the KSR decision. Second, as stated in KSR, "[t]here is no necessary inconsistency between the idea underlying the TSM test and the Graham analysis. But when a court transforms the general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs." KSR, 127 S. Ct. at 1741. Thus, KSR did not overrule or supplant the TSM test; the Court only overruled any requirement to rigidly apply that test during all obviousness determinations.

To the extent that the Applicants' arguments do rely upon the TSM test, the Applicants respectfully submit that KSR does not require that the Board completely ignore those arguments. For example, it remains true even after KSR that an examiner's bald assertion that "it would have been obvious" to modify and combine references is, standing alone, insufficient to support the purported combination of those references. The Examiner's Answer is, nevertheless, replete with such bald assertions. See, e.g., Examiner's Answer at pp. 9, 13, 14, 15, 16, 20, 21, 22, 24, 25, 26. The Examiner not only fails to establish that each of the claim limitations is present in the cited references, but he also makes several bald assertions of combinability, baldly asserting the combinability of

personally modified "versions or readings" of the references. For example, at one point, the Examiner states that Feidelson is insufficient. The Examiner also states that Shurling fails to meet the deficiencies of Feidelson and then suggests a nonobvious and nonintuitive modification of Shurling. As the Supreme Court noted in KSR, to establish obviousness, it is not enough to merely demonstrate that each of claimed elements is, independently, known in the prior art. KSR, 127 S. Ct. at 1741 (citing United States v. Adams, 383 U.S. 39, 148 USPQ 479 (1966)). In the instant application, the Examiner has failed to demonstrate that each of claimed elements is known in the prior art, and he has also failed to establish that the references are properly combinable in the asserted § 103(a) rejections. In their Appeal Brief, the Applicants have already argued why the cited references, whether considered alone or in combination, fail to teach or suggest all of the claim limitations.

(8) Claims Appendix [37 CFR § 41.37(c)(1)(viii)]

The Claims Appendix as provided in the Applicants' 5 April 2007 appeal brief remains accurate.

(9) Evidence Appendix [37 CFR § 41.37(c)(1)(ix)]

This appeal does not include any evidence or documents other than the appeal brief and this reply brief, and the claim appendix mentioned above in Section 8.

(10) Related Proceedings Appendix [37 CFR § 41.37(c)(1)(x)]

No proceedings have been identified above pursuant to paragraph (c)(1)(ii) since there are no related appeals or interferences. Thus, there is no "Related Proceedings Appendix" comprising part of this appeal.

Conclusion

The Applicants' claims set forth the steps carried out on a global computer network to "facilitate repayment of a loan." The Applicants respectfully submit that their claimed invention is patent-eligible subject matter under §101 since it is tied to a particular machine or apparatus. Their invention is a method for giving a borrower a unique way to pay back a loan – rather than having to pay the lender in cash, the borrower can buy other items she needs, and a portion of the purchase price for those other items paid to the selected merchants "comes back" to the borrower via an arrangement between the lender and the selected merchants, ultimately reducing the borrower's debt with the lender. The Applicants submit that it is counterintuitive to "buy more" to pay back your loan. The claimed

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invention is not "a method of repaying" a loan, which might logically include a step where a borrower actually makes a payment. Rather, it is a method of "facilitating repayment" of a loan, which only requires steps to make it possible for a borrower to repay a loan. Stated another way, the claimed method is an available "tool" for a borrower to use, but need not positively require the borrower to use that tool. By analogy, an inventor should be able to patent aspects of a car, which facilitates driving, without having to positively claim driving that car.

For all of the above-stated reasons, the Applicants respectfully request that the rejections be reversed, allowing a patent to issue.

The Applicants believe that no fee is due.

Respectfully submitted this 9th day of February 2009.

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